

## STAFF REPORT

**DATE:** April 1, 2013

**TO:** City Council

**FROM:** Kelly Fletcher, Budget Manager

**SUBJECT:** FY 2012/13 Budget Update – July 1, 2012 – January 31, 2013 (7 months)

---

### **Recommendation**

This informational item presents revenue and expenditure results through the first seven months of fiscal year 2012/13, as well as updated projections of General Fund results through the end of the fiscal year (June 30, 2013).

### **Fiscal Impact**

No action is requested on this item, the information presented in this report provides budget-to-actual results and budgetary projections for the City's FY2012/13. Staff is currently refining these projections, as well as developing the forecast for FY 2013/14.

The FY2013/14 budget and updated Five-Year forecast will be shaped by the projections for the current fiscal year, as well as updated information relative to revenue forecasts and personnel cost estimates; the latter to be informed by progress on current labor negotiations.

### **Summary**

Based on revenue results through the first seven months of this fiscal year, the City's General Fund revenue estimates have seen improvements and are being projected to increase over the adjusted budget by \$2.5 million. Current results for General Fund expenditures suggest that the City will not meet its expenditure savings projections yielding a shortfall of \$499,438. This is net of the personnel savings built into the FY 2012/13 budget which will not be fully achieved, as well as the assumed \$1.0 million General Fund non-expenditure of supplemental allocations budget for street and road maintenance. This amount will be rolled forward to the next fiscal year for expenditure.

Based on the amended budget as well as results through the first seven months, the General Fund is projected to end the current year with an unreserved fund balance of \$5,516,967, or 13.9% of operating revenues, which is slightly lower (\$417,997) than the level suggested by the City's 15% General Fund reserve policy. Although the fund balance on June 30, 2013 is below the suggested 15% reserve policy, it is consistent with Council discussion during the adoption of the FY 12/13 budget to deviate from the reserve requirements during these challenging fiscal times.

The following represent selected highlights from the budget report:

- *Year-to-date All Funds Revenues through the first seven months of FY2012/13 are \$71.34 million, or 48.7% of the Adjusted Budget figure of \$146.51 million. (See Attachment A-Table 1)*

- ❑ *All Funds Expenditures through January 31<sup>st</sup> of FY2012/13 stand at \$80.74 million, or 47.2% of the All Funds Budget of \$171.23 million. (See Attachment A – Tables 2, 3).*
- ❑ *As of January 31, the City has documented a current vacancy list of 20 regular full time and 1 regular part time positions. This represents a vacancy rate of 5.5% in our current work force, in relation to our 376.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 14 regular full time positions have been recruited and filled in FY 2012/13. (See Table 6)*
- ❑ *On a budgetary basis, the General Fund Unreserved Fund Balance as of June 30, 2012 was \$4.68 million, and represents a positive variance in the reserve of \$274,998 as compared to the reserve level assumed in the development of the FY2012/13 budget. The year-end Unreserved Fund Balance as of June 30, 2012 represents 13.1% of General Fund revenues. The FY2012/13 Adopted Budget assumed a year-end reserve level of 12.3%. (See Attachment B-Table 7a).*
  - *General Fund revenues ended FY2011/12 at \$38.39 million, which is \$86,910 below the previous revenue estimate. (See Attachment C-Table 8a).*
  - *General Fund expenditures ended FY2011/12 at \$38.10 million, which was \$298,896 over the final adjusted budget, and \$910,471 (2.4%) below the expenditure estimate assumed in the development of this year's budget. In addition, \$35,000 in unexpended, prior year funding has been re-appropriated as carry-overs into the current fiscal year, representing allocations for specific projects that were not completed as of June 30, 2012. (See Attachment D-Table 9a).*
- ❑ *Year-to-date General Fund revenues through the first seven months of the fiscal year are \$20,720,575 or 52.3% of the \$39.61 million adjusted revenue budget. General Fund revenues are projected to end the fiscal year at \$42.11 million, which is \$2.5 million or (6.3%) above the adjusted revenue budget. (See Attachment C-Table 8b)*
  - *Property taxes citywide remain flat. The slight increase noted above is a result of the first residual redistribution of prior Redevelopment Agency property taxes. As the Davis Redevelopment Successor Agency continues to wind down fiscal operations, this is anticipated to increase over time.*
  - *Sales Tax receipts through the first half of FY 2012/13 indicate an increase from FY2011/12 results. In the current year-to-date categories of Automotive and Building Materials, which together account for approximately 45% of direct Sales Tax collections, reflect an increase of 22.8% compared to the same period last year. Overall, direct collections are up 18.1% over the same period in FY 2011/12. With two quarters remaining in the year, we are predicting we will exceed our budget figure of \$8.4 million. As a result, sales tax revenue of \$948,000 was added to the FY2012/13 current estimate. We will continue to monitor sales tax receipts closely and make additional adjustments to our forecast as needed.*

- Transient Occupancy Tax is slightly above budget, but consistent with actual receipts in FY 11/12. There was a one-time audit adjustment of \$310,000 to Transient Occupancy Tax moving the final FY 11/12 tax increment into FY 12/13 due to timing of revenue receipts.
  - All other major Tax categories, Property Transfer, Business License and Municipal Service Taxes are all projected relatively consistent with the FY 2012/13 budget with marginal increases anticipated.
  - Revenue estimate within the Planning Division has projected an increase of \$63,000 due to various services not originally planned in the FY 12/13 budget. The most significant is attributed to the Cannery Park EIR developer reimbursement.
  - Community Services Department has reduced their revenue projections consistent with current recreation class registrations. These revenues are offset by corresponding expenditure reductions. All other Departmental revenue estimates remain relatively flat compared to the 2012/13 adjusted budget.
  - Citywide fines and forfeitures are under budget in the parking citation revenue. This is due to a combination of increased revenue assumptions from last year and an unanticipated staff vacancy (Police Resource Specialist) within the parking division for over half the current fiscal year. There are offsetting savings from the position being vacant.
  - Additional revenues in the General Fund estimated to modestly change from budget expectations, include state subventions for strike team reimbursement increase \$230,754, Developer reimbursements (\$98,040), City property rental \$800,000 and other miscellaneous revenues \$12,177.
- *Through the first seven months of FY2012/13 General Fund expenditures (including encumbrances) were \$24.16 million, or 58% of the adjusted budget of \$41.42 million. (See Attachment D-Table 9b) Overall, personnel expenditures through the first half of the fiscal year, when accounting for seasonality of citywide recreation program expenditures in Parks and Community Services, would appear to be tracking within budget. Yet, when accounting for the six month delayed implementation of current contracts, unresolved contracts with two remaining bargaining units, as well as the second half of the fiscal year experiencing the annual increases for health insurance benefits; personnel costs are projected to result in an increase above our adopted budget of \$802,898. The unachieved personnel savings will impact the City's ability to fund the \$1,000,000 in additional funding for Street and Road maintenance projects, in FY 2012/13. In the upcoming fiscal year, this amount will be re-budgeted.*
- *Non-personnel expenditures, after accounting for \$1 million reduction in the Street and Road maintenance appropriation noted above, and the increase cost of \$873,025 for City Utilities, and the remaining expenses continue to track within budget and are projected to fall short of the anticipated savings assumed in the development of the FY2012/13 budget.*

- ❑ *Preliminary projections of year end General Fund expenditures stand at \$ 41.92 million or \$499,438 (1.21%) above the adjusted budget for FY2012/13. Expenditures will continue to be monitored, and street and roads maintenance will be augmented to the extent possible.*
- ❑ *The combination of FY2011/12 year-end results and the revised budget projections for the current-year suggest that the General Fund is expected to end FY2012/13 with a fund balance of \$5.52 million, representing 13.9% of General Fund revenues.*
- ❑ *Preliminary Projections for FY 2013/14 are currently under review. General Fund Revenues are projected at \$41.16 million and expenditures \$43.19 million, indicating a structural imbalance of \$2.0 million dollars to be reconciled. Without concessions and other operating changes, this figure would be \$3.76 million dollars.*
- ❑ *Staff will continue to refine current revenue and expenditure estimates for the FY2012/13 budget as well as a preliminary update of the FY2013/14 General Fund Preliminary budget.*

### **Conclusion**

This informational report represents the Budget Update for FY2012/13, and has been prepared in response to the City Council's objective of establishing regular quarterly budget updates. The information provided in this report includes year-to-date revenue and expenditure results through the first seven months of this fiscal year, as well as more detailed General Fund information as well as preliminary projections for year-end results.

#### **Attachments:**

- Attachment A – All Funds revenues and expenditures
- Attachment B – Summary of General Fund Operations
- Attachment C – General Fund Revenue Results
- Attachment D – General Fund Expenditure Results

**Attachment A**

**Table 1 – All Funds Revenues**

<b>All Funds Revenues - Table 1</b>				
<b>FY 2012/13 Year-To-Date 7-1-12 to 1-31-13 (7 months)</b>				
<b>Funds</b>	<b>Adjusted Budget 1/31/13</b>	<b>Year-To-Date Actual 1/31/13</b>	<b>Seven months 58%</b>	<b>Note</b>
General Fund	39,605,923	20,720,575	52.3%	1b
Special Revenue Funds	21,749,539	9,525,367	43.8%	
Debt Service	2,959,990	1,333,802	45.1%	
Capital Projects Funds	3,642,695	2,358,969	64.8%	1c
Trust Funds	60	26	43.3%	
Enterprise Funds	50,602,991	23,561,294	46.6%	1d
Internal Service Funds	20,241,005	11,200,478	55.3%	
Redevelopment Successor Funds	7,712,689	2,639,226	34.2%	
<b>Total All Funds</b>	<b>146,514,892</b>	<b>71,339,737</b>	<b>48.7%</b>	<b>1a</b>

- 1a** Year-to-date All Funds Revenues are currently \$71.34 million, or 48.7% of the adjusted \$146.51 million budget.
  - 1b** General Fund revenues received to date are \$20.72 million, or 52.3% of the \$39.61 million adjusted budget. The revenues would appear to be lagging slightly, but are dependent on the timing of pending property tax, sales tax, business license tax, transient occupancy tax and franchise tax payments.
  - 1c** Receipt of Capital Project funds are in excess of budgeted revenues due to additional development fees for the New Harmony project that were not included in the initial FY2012/13 budget.
  - 1d** Enterprise Fund revenues are tracking slightly behind due to the delayed implementation of Water rates in comparison to the 12/13 original budget projections.
- *All other funds are also tracking in proportion to expectations when considering timing of annual receipts.*

**Attachment A**

**Table 2 – All Funds Expenditures**

<b>All Funds Expenditures - Table 2</b>				
<b>FY 2012/13 Year-To-Date 7-1-12 to 1-31-13 (7 months)</b>				
<b>Expenditure By Fund</b>	<b>Adjusted Budget 1/31/13</b>	<b>Year-To-Date Actual 1/31/13</b>	<b>Seven months 58%</b>	<b>Note</b>
General Fund	41,422,376	24,155,091	58.3%	2b
Special Revenue Funds	22,928,276	10,656,030	46.5%	
Debt Service	2,764,772	2,088,066	75.5%	2c
Capital Projects Funds	11,266,593	2,427,785	21.5%	2d
Trust Funds	23,960	23,960	0.0%	
Enterprise Funds	64,921,972	27,102,481	41.7%	
Internal Service Funds	20,031,541	10,420,229	52.0%	
Redevelopment Successor Funds	7,871,633	3,869,811	49.2%	
<b>Total All Funds</b>	<b>171,231,123</b>	<b>80,743,453</b>	<b>47.2%</b>	<b>2a</b>

- 2a** Year to date All Funds Expenditures are currently \$80.74 million, or 47.2 % of the adjusted \$171.23 million adjusted budget.
- 2b** General Fund expenditures are reporting at \$24.16 million, or 58.3% of the total \$41.42 million adjusted budget.
- 2c** Debt Service Funds reflect expenditures at 75.5% of budget, as a result of annual debt principal payments due in the first quarter of the fiscal year.
- 2d** Capital Project Fund would appear to be tracking below budget, due to the spring/summer seasonality of many construction projects.

**Table 3 – All Funds Expenditures by Department**

<b>All Funds Expenditures by Department - Table 3</b>				
<b>FY 2012/13 Year-To-Date 7-1-12 to 1-31-13 (7 months)</b>				
<b>Expenditure by Department</b>	<b>Adjusted Budget 1/31/13</b>	<b>Year-To-Date Actual 1/31/13</b>	<b>Seven months 58%</b>	<b>Note</b>
City Council	172,559	75,721	43.9%	
City Attorney	512,967	119,323	23.3%	3b
City Manager	4,323,850	3,114,929	72.0%	3c
Administrative Services	30,188,171	14,403,491	47.7%	
Comm. Development & Sustainability	4,480,373	2,419,987	54.0%	
Fire	9,642,141	5,808,455	60.2%	3d
Police	15,789,223	9,058,807	57.4%	
Public Works	48,657,080	25,339,806	52.1%	
Capital Improvements	47,877,858	14,010,702	29.3%	3e
Debt Service	5,164,252	3,890,873	75.3%	3f
Redevelopment Successor Agency	5,946,487	2,501,359	42.1%	
Other	(1,523,838)	-	0.0%	
<b>Total All Funds</b>	<b>171,231,123</b>	<b>80,743,453</b>	<b>47.2%</b>	<b>3a</b>

- 3a** Year to date All Funds Departmental Expenditures is currently \$80.74 million, or 47.2 % of the adjusted \$171.23 million adjusted budget.
- 3b** City Attorney services would appear to be tracking under budget, due to year to date expenditures only reflecting services through October 2012. November through February billings has been paid in the third quarter.
- 3c** City Manager’s Office expenditures are higher than normal, due to additional contract expenditure payments and pending budget adjustments in relation to ADA Housing Rehab and Youth Transitional Housing. This is a timing issue which has been resolved by budget adjustments already approved by Council in the third quarter.
- 3d** Fire department services are tracking slightly above budget, based on pending budget adjustments for Strike Team services, as well as, the Acting Battalion chief program, which was used for the first quarter of the fiscal year and has since been discontinued with the full Fire Division Chief model implemented and fully staffed.
- 3e** Capital Improvements would appear to be tracking below budget, due to the spring/summer seasonality of many construction projects.
- 3f** Debt Service Funds reflect expenditures at 75.3% of budget, as a result of annual debt principal payments due in the first quarter of the fiscal year.

Personnel Analysis

**Table 4 – FY 2012/13 Year-to-Date Personnel Expenditures**

<b>All Funds Personnel Expenditures - Table 4</b>				
<b>FY 2012/13 Year-To-Date 7-1-12 to 1-31-13 (7 months)</b>				
Expenditure by Department	Adjusted Budget 1/31/13	Year-To-Date Actual 1/31/13	Seven months 58%	Note
City Council	135,167	54,316	40.2%	
City Manager	1,068,687	622,939	58.3%	
Administrative Services	9,437,189	4,735,024	50.2%	
Comm. Development & Sustainability	2,530,438	1,589,460	62.8%	
Fire	7,839,817	4,931,412	62.9%	
Police	12,962,063	7,336,056	56.6%	
Public Works	14,108,144	8,632,220	61.2%	
Capital Improvements/Debt	1,842,790	856,062	46.5%	
Redevelopment Successor Agency	2,075,422	433,934	20.9%	
Citywide Savings	(753,838)	-	0.0%	
<b>Total</b>	<b>\$ 51,245,879</b>	<b>\$ 29,191,423</b>	<b>57.0%</b>	4a

- 4a** FY2012/13 personnel expenditures are currently tracking at 57.0%, which is consistent with budgeted projections.
  - On a citywide basis, the All Funds Personnel costs represented 29.93% of total city expenditures of \$171.23 million.

**Table 5** summarizes the FY2012/13 budget and year to date overtime results. In review of the table below, it is important to note that overtime is only one component of total human resource costs.

<b>All Funds Overtime Expenditures - Table 5</b>				
<b>FY2012/13 Year-to-Date 7/1/12-1/31/13 (7 months)</b>				
Expenditure by Department	Adjusted Budget 1/31/13	Year-To-Date Actual 1/31/13	Seven months 58%	Note
City Manager's Office	1,100	-	0%	
Administrative Services	10,824	4,148	38%	
Comm. Development & Sustainability	6,078	537	9%	
Fire	342,105	633,338 *	185%	5a
Police	353,594	202,546	57%	
Public Works	165,651	90,783	55%	
Capital Improvement Projects	10,000	8,349	83%	
Redevelopment Successor Agency	-	-	0%	
<b>TOTAL OVERTIME</b>	<b>\$ 889,352</b>	<b>\$ 939,701</b>	<b>106%</b>	<b>5b</b>
* The portion of overtime related to Strike Teams reimbursable through State or Federal Funding for FY 2012/13 is \$230,754.				

**5a** The Fire Department currently reflects an overage in overtime related to acting battalion chief premium pay backfilling for 3 vacant Fire Division Chief positions. Most of this overage was offset by regular full time salary savings for the vacancies. In addition over \$230,000 of Fire overtime for FY 12/13 has been dedicated to State and Federal Strike Team assistance.

**5b** On an all funds basis, total overtime adjusted budget for FY2012/13 is \$0.89 million, and represents 1.7% of the total human resources budget.

- When evaluating the results of overtime usage, it should be noted that the most significant fluctuations in budget versus actual overtime are largely comprised of overtime requirements for emergency services, such as Fire Strike Teams, Citywide Power Outage and other weather related events. Overtime related to strike teams is offset by reimbursements through State or Federal Emergency Funds.

- *As of January 31, the City has documented a current vacancy list of 20 regular full time and 1 regular part time positions. These vacancies represent a 5.5% shortfall in our current work force, in relation to our 376.25 budgeted Full Time Equivalent permanent positions. The budget assumed a vacancy rate of 2.5 percent. In addition to the current vacancies, 14 regular full time vacant positions have been recruited and filled in FY 2012/13. Of the current vacancies, there are two positions which are being backfilled with either TPT staff or special assignment pay to current staff for supplemental work assignments. (See Table 6)*

The FY 2012/13 adopted budget included a personnel savings factor, representing an assumed 2.5% annual savings due to vacancies achieved through turn-over and attrition. This savings assumption will require the continuation of a citywide selective “hiring freeze.”

Position Vacancy Listing

The following **Table 6** presents a listing of vacant positions as of January 31, 2013, as well as updated information on previous reported vacancies hired since July 1, 2012.

<b>Vacant Positions as of January 31, 2013</b>			
Dept	Position Title	Funding Source	Status
ASD	Finance Administrator	General Fund/Enterprise	Vacant (new) 7/1/12
ASD	Financial Supervisor	General Fund	Vacant (new) 7/1/12
CMO	Sr. Office Assistant 75%	General Fund	Vacant (new) 7/1/12
CMO	Deputy City Clerk I	General Fund	Vacant 1/20/13
DCDS	Building Inspector I (Provisional)	Building Admin and Permits	Vacant 11/30/12
DCDS	Senior Building Inspector	Building Admin and Permits	Vacant 1/18/13
FD	Fire Chief	General Fund	Vacant 11/20/09 Backfill with TPT
FD	Firefighter I	General Fund	Vacant (promotion) 10/15/12
FD	Firefighter II	General Fund	Vacant (promotion) 10/15/12
FD	Firefighter II	General Fund	Vacant (promotion) 10/15/12
FD	Firefighter II	General Fund	Vacant (promotion) 9/17/12
FD	Firefighter II	General Fund	Vacant (promotion) 12/10/12
PD	Police Officer	General Fund	Vacant 7/9/12
PD	Police Officer	General Fund	Vacant 10/10/12
PD	Police Officer	General Fund	Vacant 8/29/12
PW	Assistant Public Works Director	Various Funds	Vacant 12/31/10 Backfill with TPT
PW	Associate Civil Engineer	Various Funds	Vacant 10/31/10
PW	Engineering Assistant	Enterprise Funds	Vacant 7/1/09
PW	Park Maintenance Worker I	General Fund	Vacant 7/122/12
PW	Public Works Inspection Supervisor	Enterprise Funds	Vacant 6/29/12
PW	Senior Water Division Supervisor	Enterprise Funds	Vacant 12/28/12
<b>Positions Hired</b>			
Dept	Position Title	Funding Source	Hire Date
ASD	Administrative Svcs Director/Asst CM	General Fund	Vacant 4/20/12
FD	Fire Captain	General Fund	Vacant (retirement)
FD	Fire Captain	General Fund	Vacant (retirement)
FD	Fire Captain	General Fund	Vacant (retirement)
FD	Fire Captain	General Fund	Vacant (retirement)
FD	Fire Division Chief	General Fund	Vacant (new) 7/1/12
FD	Fire Division Chief	General Fund	Vacant (promotion) 9/17/13
PD	Police Service Specialist	General Fund	Vacant (promotion) 7/1/12
PD	Police Service Specialist Supervisor	General Fund	Vacant (new) 7/1/12
PD	Police Lieutenant	General Fund	Vacant (retirement)
PD	Public Safety Dispatcher I	General Fund	
PW	General Manager UT, Planning & Operati	Various Funds	Vacant 12/31/09
PW	Asset Manager	Various Funds	Vacant (new) 7/1/12
PW	Parks Manager	Various Funds	Vacant (new) 7/1/12

**Attachment B**

**Summary of General Fund Operations**

**Table 7a** presents a summary of the City’s General Fund results through the fiscal year ended June 30, 2012 as well as budget and year-to-date results through the first seven months of FY2012/13:

<i>General Fund Summary - Table 7 a</i>			
<i>FY2011/12 Results and FY2012/13 Year-to-Date Results 7-1-12 to 1-31-13 (7 months)</i>			
<b>Description</b>	<b>FY2011/12 Adjusted Budget</b>	<b>FY2011/12 Budget Projection</b>	<b>FY2011/12 AUDITED Actual Results</b>
<i>Beginning Unreserved Fund Balance</i>	\$4,947,701	\$4,947,701	\$4,947,701
<i>Audit Adjustments/Prior Year Carryovers</i>	\$0		(\$548,563)
Revenues	38,365,962	38,473,393	38,386,483
Expenditures	(37,803,851)	(39,013,218)	(38,102,747)
Transfers	0	0	0
<b>Ending Unreserved Fund Balance</b>	<b>\$5,509,812</b>	<b>\$4,407,876</b>	<b>\$4,682,874</b>
Percentage (E.U.F.B./Revenues)	15.4%	12.3%	13.1%

FY2011/12

The General Fund’s Unreserved Fund Balance as of June 30, 2012 was \$4.68 million, equal to 13.1% of General Fund revenues, and reflects a positive variance of \$274,998 as compared to the reserve level assumed in the development of the FY2012/13 budget. The FY2012/13 Adopted Budget assumed a year-end reserve level of 12.3%.

<b>General Fund Summary - Table 7b</b>				
<b>FY2011/12 Results and FY2012/13 Year-to-Date Results 7-1-12 to 1-31-13 (7 months)</b>				
<b>Description</b>	<b>FY2012/13 Adopted Budget 7/1/12</b>	<b>FY2012/13 Adjusted Budget 1/31/13</b>	<b>FY2012/13 Year-to-Date Results 1/31/13</b>	<b>FY2012/13 Year-end Projection as of 1/31/13</b>
<i>Beginning Unreserved Fund Balance</i>	\$ 4,407,851	\$4,682,874	\$4,682,874	\$4,682,874
<i>Audit Adjustments/Prior Year Carryovers</i>		\$647,993	\$647,993	\$647,993
Revenues	39,076,219	39,605,923	20,720,575	42,107,914
Expenditures	(40,032,131)	(41,422,376)	(24,155,091)	(41,921,814)
Transfers				
<b>Ending Unreserved Fund Balance</b>	<b>\$ 3,451,939</b>	<b>\$3,514,414</b>	<i>n/a</i>	<b>\$5,516,967</b>
Percentage (E.U.F.B./Revenues)	9.4%	9.5%	<i>n/a</i>	13.9%

FY2012/13

The Adopted FY2012/13 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2013 would be \$3.45 million, or 9.4% of General Fund revenues. This assumed a beginning fund balance of \$4.41 million and an anticipated shortfall of fund balance reserve totaling \$2.03 million. Final year-end results for FY2011/12 provide an updated projection for the General Fund reserve achieved at June 30, 2012. Assuming current year results are consistent with Year-end projections, we would yield a projected year-end fund balance of \$5.52 million or 13.9% of General Fund revenues. Although the fund balance on June 30, 2013 is below the suggested 15% reserve policy, it is consistent with Council discussion during the adoption of the FY 12/13 budget to deviate from the reserve requirements during these challenging fiscal times.

**Attachment C**

General Fund Revenues

**Table 8a: General Fund Revenues**  
**FY2011/12 Results and FY2012/13 Projections**

Revenue by Source	FY2011/12 Adjusted Budget	FY2011/12 Estimate	FY2011/12 Actual	Estimate to Actual Variance Favorable / (Unfavorable)	Variance Percentage
Property Taxes	\$14,799,236	\$14,799,236	\$14,829,182	\$29,946	0.2%
Sales & Use Tax	8,001,725	8,291,725	8,279,385	(\$12,340)	-0.1%
Transient Occupancy Tax	900,500	900,500	1,050,157	\$149,657	16.6%
TOT Audit Adjustment	0	0	(310,000)	\$0	0.0%
Property Transfer Tax	128,000	128,000	185,320	\$57,320	44.8%
Business License Tax	1,500,000	1,500,000	1,556,797	\$56,797	3.8%
Municipal Services Tax	2,477,300	2,477,300	2,492,849	\$15,549	0.6%
Franchise Fees (PG&E)	533,500	533,500	545,547	\$12,047	2.3%
Community Development	994,356	787,724	787,541	(\$183)	0.0%
Community Services	2,378,353	2,340,786	2,354,735	\$13,949	0.6%
Other Depts (Fire, PD, PW)	1,547,095	1,553,979	1,665,133	\$111,154	7.2%
Fines & Forfeitures	730,600	829,500	814,046	(\$15,454)	-1.9%
Investment Earnings	0	15,800	14,009	(\$1,791)	-11.3%
Intra-City Revenues	2,523,552	2,523,552	2,523,552	\$0	0.0%
All Other Sources	1,851,745	1,791,791	1,598,230	(\$193,561)	-10.8%
<b>Total</b>	<b>\$38,365,962</b>	<b>\$38,473,393</b>	<b>\$38,386,483</b>	<b>(\$86,910)</b>	<b>-0.2%</b>

**Table 8a** presents a summary of results for our major General Fund revenue sources. FY2011/12 revenues were \$38.39 million which was \$86,910 (0.2%) below the revenue estimate used in the development of the FY2012/13 budget.

<b>Table 8b: General Fund Revenues</b>						
<b>FY2011/12 Results and FY2012/13 Projections</b>						
Revenue by Source	FY2012/13 Adopted Budget 7/1/12	FY2012/13 Adjusted Budget 1/31/13	FY2012/13 Year to Date 1/31/13	FY2012/13 Projection as of 3/14/13	Variance Favorable / (Unfavorable)	Note
Property Taxes	\$15,095,211	\$15,095,211	\$7,587,734	\$15,216,748	\$121,537	8a
Sales & Use Tax	8,451,760	8,451,760	4,347,180	\$9,400,000	\$948,240	8b
Transient Occupancy Tax	909,505	909,505	674,347	\$1,070,000	\$160,495	8c
TOT Audit Adjustment	0	0	0	\$310,000	\$310,000	8c
Property Transfer Tax	128,000	128,000	102,647	\$128,000	\$0	
Business License Tax	1,530,000	1,530,000	960,260	\$1,600,000	\$70,000	
Municipal Services Tax	2,551,619	2,551,619	1,918,347	\$2,600,000	\$48,381	
Franchise Fees (PG&E)	544,170	544,170	0	\$545,500	\$1,330	
Community Development	740,700	753,260	315,608	\$816,915	\$63,655	8d
Community Services	2,385,527	2,428,115	1,546,437	\$2,437,809	\$9,694	
Other Depts (Fire, PD, PW)	1,506,270	1,506,270	500,672	\$1,478,578	(\$27,692)	8e
Fines & Forfeitures	830,540	830,540	342,173	\$687,000	(\$143,540)	8f
Investment Earnings	15,800	15,800	3,583	\$10,800	(\$5,000)	8g
Intra-City Revenues	2,541,485	2,541,485	1,482,533	\$2,541,485	\$0	
All Other Sources	1,845,632	2,320,188	939,054	\$3,265,079	\$944,891	8h
<b>Total</b>	<b>\$39,076,219</b>	<b>\$39,605,923</b>	<b>\$20,720,575</b>	<b>\$42,107,914</b>	<b>\$2,501,991</b>	

**Notes:**

- 8a** Property taxes citywide remain flat. The slight increase noted above is a result of the first residual redistribution of prior Redevelopment Agency property taxes. As the Davis Redevelopment Successor Agency continues to wind down fiscal operations, this is anticipated to increase over time.
- 8b** Sales Tax receipts through the first half of FY 2012/13 indicate an increase from FY2011/12 results. In the current year-to-date categories of Automotive and Building Materials, which together account for approximately 45% of direct Sales Tax collections, reflect an *increase* of 22.8% compared to the same period last year. Overall, direct collections are up 18.1% over the same period in FY 2011/12. With two quarters remaining in the year, we are predicting we will exceed our budget figure of \$8.4 million. As a result, sales tax revenue of \$948,000 was added to the FY2012/13 current estimate. We will continue to monitor sales tax receipts closely and make additional adjustments to our forecast as needed.
- 8c** Transient Occupancy Tax is slightly above budget, but consistent with actual receipts in FY 11/12. There was a one-time audit adjustment of \$310,000 to Transient Occupancy Tax moving the final FY 11/12 tax increment into FY 12/13 due to timing of revenue receipts.
- *All other major Tax categories, Property Transfer, Business License and Municipal Service Taxes are all projected relatively consistent with the FY 2012/13 budget with marginal increases anticipated.*

- 8d** Revenue estimate within the Building Division has projected an increase of \$63,000 due to various services not originally planned in the FY 12/13 budget. The most significant is attributed to the Cannery Park EIR developer reimbursement.
- 8e** Community Services Department has reduced their revenue projections consistent with current recreation class registrations. These revenues are offset by corresponding expenditure reductions. All other Departmental revenue estimates remain relatively flat compared to the 2012/13 adjusted budget.
- 8f** Citywide fines and forfeitures are currently experiencing a decline in the parking citation revenue. This is due to one less Police Resource Specialist within the parking division for over half the current fiscal year.
- 8g** Investment returns have continued to slow and are projecting a decrease of (\$5,000) for the current year.
- 8h** Additional revenues in the General Fund estimated to change from budget expectations, include state subventions for strike team reimbursement increase \$230,754, Developer reimbursements (\$98,040), City property rental \$800,000 and other miscellaneous revenues \$12,177.

**Attachment D**  
**General Fund Expenditures**

**Table 9** summarizes General Fund expenditure results for all departments. FY2011/12 expenditures ended the year at \$38.10 million, slightly over budget projection of \$37.80 million.

<b>Table 9a: General Fund Expenditures</b>					
<b>FY2011/12 Year-End Results and FY2012/13 Year-to-Date 7-1-11 to 1-31-13 (7 months)</b>					
Expenditure by Department	FY2011/12 Adjusted Budget	FY2011/12 Estimate	FY2011/12 AUDITED Actuals	Variance	% Exp.
City Attorney	354,558	362,967	362,967	8,409	102%
City Manager / Council	3,953,787	4,213,249	3,867,590	(86,197)	98%
Administrative Services	New Department FY 12/13				
Community Development	1,508,742	1,705,491	1,540,404	31,662	102%
Community Services	9,933,049	9,764,282	9,847,385	(85,664)	99%
Fire	8,008,921	8,225,073	8,179,549	170,628	102%
Police	13,489,698	13,566,379	13,465,701	(23,997)	100%
Public Works	1,831,910	1,805,191	555,025	(1,276,885)	30%
Capital Improvements	45,879	91,610	29,685	(16,194)	65%
Debt	205,658	205,658	205,658	-	100%
Redevelopment	48,783		48,783	-	100%
Non-Departmental Adjustments	(1,577,134)	(926,683)	-	1,577,134	0%
<b>Total</b>	<b>\$ 37,803,851</b>	<b>\$ 39,013,217</b>	<b>\$ 38,102,747</b>	<b>\$ 298,896</b>	<b>101%</b>

<b>Table 9b: General Fund Expenditures</b>					
<b>FY2011/12 Year-End Results and FY2012/13 Year-to-Date 7-1-11 to 1-31-13 (7 months)</b>					
Expenditure by Department	FY2012/13 Adopted Budget 7/1/12	FY2012/13 Adjusted Budget 1/31/13	FY2012/13 Year-to-Date Actuals 1/31/13	Seven Months 58% Exp.	FY2012/13 Year-End Projection as of 1/31/13
City Attorney	362,967	362,967	119,323	33%	362,967
City Manager / Council	1,630,383	1,760,547	946,110	54%	1,495,301
Administrative Services	7,330,527	7,434,851	3,817,697	51%	6,529,797
Community Development	1,644,395	2,412,167	1,478,185	61%	2,475,876
Community Services	-	-	-	0%	-
Fire	8,040,074	8,068,883	5,033,174	62%	8,838,435
Police	13,908,666	13,956,601	7,857,889	56%	13,880,430
Public Works	8,368,957	8,554,067	4,855,993	57%	8,743,246
Capital Improvements	270,000	396,131	46,720	12%	392,247
Debt	-	-	-	0%	-
Redevelopment	-	-	-	0%	-
Non-Departmental Adjustments	(1,523,838)	(1,523,838)	-	0%	(796,485)
<b>Total</b>	<b>\$ 40,032,131</b>	<b>\$ 41,422,376</b>	<b>\$ 24,155,091</b>	<b>58%</b>	<b>\$ 41,921,814</b>
					<b>\$ (499,438)</b>

FY2011/12 General Fund expenditure results for most operating departments were within their adjusted budget, with savings ranging from 2% to 70% of budgeted expenditures.

The more significant savings in the Public Works Department is due to unspent funds being released for street maintenance projects.

The Community Development department shows a slight 2% overage primarily due to assumed personnel costs assumed by the General Fund related to the dissolution of the Redevelopment Agency. The overage in the City Attorney budget is attributed to additional services received in conjunction with pending contract negotiations. The Fire Department also shows a minor overage of 2%, related to overtime and acting battalion chief premium pay backfilling for 3 vacant Fire Division Chief positions.

On a citywide basis, the General Fund expenditures ended FY2011/12 at \$38.10 million, which was \$298,896 above the final projected budget. The net overall savings from General Fund expenditures had a positive impact on our projected fund balance moving from a 12.3% to a 13.1% fund balance reserve at FY 2011/12 year end.

Through the first seven months of FY2012/13 General Fund expenditures (including encumbrances) were \$24.16 million, or 58% of the adjusted budget of \$41.42 million. (See Attachment D-Table 9b) Overall, personnel expenditures through the first half of the fiscal year, when accounting for seasonality of citywide recreation program expenditures in Parks and Community Services, would appear to be tracking within budget. Yet, when accounting for the six month delayed implementation of current contracts, unresolved contracts with two remaining bargaining units, as well as the second half of the fiscal year experiencing the annual increases for health insurance benefits; personnel costs are projected to result in an increase above our adopted budget of \$802,898. The unachieved personnel savings will impact the City's ability to fund the \$1,000,000 in additional funding for Street and Road maintenance projects, in FY 2012/13. This amount will be rolled forward into the next fiscal year for expenditure.

Non-personnel expenditures, after accounting for \$1 million reduction in the Street and Road maintenance appropriation noted above, and the increase cost of \$873,025 for City Utilities, and the remaining expenses continue to track within budget and are projected to fall short of the anticipated savings assumed in the development of the FY2012/13 budget.

Preliminary projections of year end General Fund expenditures stand at \$ 41.92 million or \$499,438 (1.21%) above the adjusted budget for FY2012/13. Expenditures will continue to be monitored, and street and roads maintenance will be augmented to the extent possible.